JULY 1990

OREGON LABOR TRENDS

State of Oregon • Employment Division • Department of Human Resources

INDICATORS

UNEMPLOYMENT RATE

Oregon (Seas. Adj.)

June	1990	5.3
May	1990	4.8
June	1989	5.7

United States (Seas. Adj.)

June	1990	5.2
May	1990	5.3
June	1989	5.3

WAGE AND SALARY EMPLOYMENT INDEX

Oregon (1977 = 100)

June	1990	132.7
May	1990	133.5
Apr.	1990	133.2
Mar.	1990	132.9
Feb.	1990	132.1

PRODUCTION WORKER AVERAGE HOURLY EARNINGS

Oregon

May	1990	$11.11
Apr.	1990	$11.10
May	1989	$10.81

PRODUCTION WORKER AVERAGE WEEKLY HOURS

Oregon

May	1990	39.8
Apr.	1990	40.1
May	1989	39.5

CONSUMER PRICE INDEX (CPI)

1982-84 = 100
ALL URBAN CONSUMERS

Portland-Vancouver

July-Dec. 1989	121.6
Yearly change	4.9%
Annual Average 1989	120.4
Yearly change	5.0%

United States

June 1990	129.9
Yearly change	4.7%
Annual Average 1989	124.0
Yearly change	4.8%

Portland Hotline 326-4132

RED FLAGS RISING?

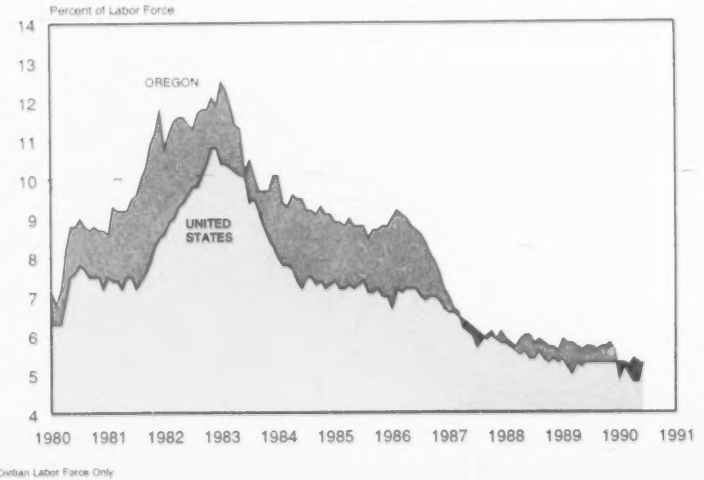
Jeff Hannum

Oregon's high-flying economy hit some wind shear in June as two key labor market indicators took abrupt turns for the worse. The state's seasonally adjusted unemployment rate, which has been relatively stable so far this year, jumped by half a percentage point to 5.3% in June from May's revised 4.8%. The last time Oregon's unemployment rate increased by this much in one month was at the depths of the last recession in January 1983 when the jobless rate rose six-tenths to 12.5%.

But monthly gyrations in the state's unemployment rate can be misleading. A more reliable indicator is the nonfarm wage and salary employment index. This seasonally adjusted measure of nonfarm job trends, which is based on a monthly survey of about 6,500 Oregon employers, also appeared to raise a red flag in June by plunging eight-tenths of a point to 132.7! In addition to this being a large drop, it was also the first time in two and a half years that the employment index has declined.

Are these indicators signaling an end to Oregon's record long economic expansion? The answer is probably not, though overall growth is slowing and the state's most important basic industry, forest products, is increasingly caught between a reduced supply of available timber, higher costs, and weaker markets for finished wood products. (For an in-depth analysis of the timber supply issue and potential economic impacts of several spotted owl conservation scenarios, be sure to read the following article entitled "Timber Famine in the Nation's Wood Basket?")

SEASONALLY ADJUSTED UNEMPLOYMENT RATES
OREGON AND THE UNITED STATES



OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(BY PLACE OF WORK)

INDUSTRY	JUN.1/ 1990	MAY 2/ 1990	JUN. 1989	CHANGE FROM MAY 1990	CHANGE FROM JUN. 1989
TOTAL 5/	1,261,400	1,252,600	1,227,400	8,800	34,000
WAGE & SALARY EMPLOYMENT INDEX 6/	132.7	133.5	129.1	XXX	XXX
GOODS PRODUCING INDUSTRIES 7/	273,300	267,900	270,400	5,400	2,900
SERVICE PRODUCING INDUSTRIES 8/	988,100	984,700	957,000	3,400	31,100
TOTAL MANUFACTURING	221,600	216,400	221,600	5,200	0
DURABLE GOODS	160,200	159,100	162,300	1,100	- 2,100
LUMBER & WOOD PRODUCTS	66,000	65,000	69,600	1,000	- 3,600
LOGGING	11,600	11,000	12,700	600	- 1,100
SAWMILLS	21,600	21,800	23,600	- 200	- 2,000
VENEER & PLYWOOD	15,100	15,000	16,400	100	- 1,300
MILLWORK & STRUCTURAL WOOD	11,300	11,000	10,700	300	600
MOBILE HOMES	2,000	1,900	1,800	100	200
OTHER WOOD PRODUCTS	4,400	4,300	4,400	100	0
FURNITURE AND FIXTURES	3,000	3,000	3,000	0	0
STONE, CLAY, GLASS & CONCRETE	4,400	4,300	4,400	100	0
PRIMARY METALS	11,400	11,400	11,000	0	400
BLAST FURNACES, IRON & STEEL 9/	5,900	5,900	5,600	0	300
NONFERROUS METALS 9/	5,500	5,500	5,400	0	100
FABRICATED METALS	11,900	11,800	12,400	100	- 500
FABRICATED STRUCTURAL METALS	5,200	5,100	5,200	100	0
OTHER FABRICATED METALS	6,700	6,700	7,200	0	- 500
MACHINERY	18,000	17,900	17,800	100	200
OFFICE & COMPUTING MACHINES	4,900	4,800	4,500	100	400
OTHER MACHINERY	13,100	13,100	13,300	0	- 200
ELECTRONIC & OTHER ELECTRIC EQUIPMENT 9/	17,100	17,100	15,500	0	1,600
TRANSPORTATION EQUIPMENT	12,800	13,100	11,900	- 300	900
INSTRUMENTS & RELATED PRODUCTS 9/	11,600	11,700	12,700	- 100	- 1,100
MISCELLANEOUS MANUFACTURING	4,000	3,800	4,000	200	0
NONDURABLE GOODS	61,400	57,300	59,300	4,100	2,100
FOOD & KINDRED PRODUCTS	25,800	22,000	23,700	3,800	2,100
CANNING & PRESERVING	14,600	11,000	12,900	3,600	1,700
OTHER FOOD PRODUCTS	11,200	11,000	10,800	200	400
TEXTILE MILL PRODUCTS	1,700	1,700	1,800	0	- 100
APPAREL	2,600	2,600	2,700	0	- 100
PAPER & ALLIED PRODUCTS	9,200	9,000	9,300	200	- 100
PRINTING & PUBLISHING	14,000	13,900	13,600	100	400
CHEMICALS & ALLIED PRODUCTS	2,300	2,300	2,300	0	0
PETROLEUM & ASPHALT PRODUCTS	500	500	500	0	0
RUBBER & PLASTIC PRODUCTS	4,800	4,800	5,000	0	- 200
LEATHER PRODUCTS	500	500	400	0	100
TOTAL NONMANUFACTURING	1,039,800	1,036,200	1,005,800	3,600	34,000
MINING & QUARRYING	1,400	1,400	1,500	0	- 100
CONSTRUCTION	50,300	50,100	47,300	200	3,000
BUILDING CONSTRUCTION	13,000	13,100	11,800	- 100	1,200
HEAVY CONSTRUCTION	6,500	6,500	7,400	0	- 900
SPECIAL TRADE CONTRACTORS	30,800	30,500	28,100	300	2,700
TRANSPORTATION, COMMUNICATIONS, & UTILITIES	64,700	64,400	63,200	300	1,500
TRANSPORTATION	42,900	42,800	41,700	100	1,200
RAILROAD	3,800	3,800	3,900	0	- 100
TRUCKING & WAREHOUSING	24,800	24,600	24,000	200	800
OTHER TRANSPORTATION	14,300	14,400	13,800	- 100	500
COMMUNICATIONS	12,400	12,400	12,500	0	- 100
UTILITIES	9,400	9,200	9,000	200	400
TRADE	322,300	319,000	311,000	3,300	11,300
WHOLESALE TRADE	81,300	80,700	78,000	600	3,300
DURABLE GOODS	48,300	47,600	46,000	700	2,300
MACHINERY, EQUIPMENT, & SUPPLIES	11,300	11,300	11,000	0	300
OTHER DURABLE GOODS	37,000	36,300	35,000	700	2,000
NONDURABLE GOODS	33,000	33,100	32,000	- 100	1,000
GROCERIES & RELATED PRODUCTS	11,900	11,800	11,700	100	200
OTHER NONDURABLE GOODS	21,100	21,300	20,300	- 200	800
RETAIL TRADE	241,000	238,300	233,000	2,700	8,000
BUILDING MATERIALS & GARDEN SUPPLIES	9,500	9,200	8,400	300	1,100
GENERAL MERCHANDISE	29,200	29,400	28,200	- 200	1,000
FOOD STORES	42,200	41,500	40,000	700	2,200
AUTO DEALERS & SERVICE STATIONS	29,400	29,400	29,300	0	100
APPAREL & ACCESSORY STORES	10,200	9,900	9,700	300	500
FURNITURE & HOME FURNISHINGS	9,700	9,600	9,100	100	600
EATING & DRINKING PLACES	87,900	85,700	84,700	2,200	3,200
MISCELLANEOUS RETAIL	22,900	23,600	23,600	- 700	- 700
FINANCE, INSURANCE, & REAL ESTATE	77,700	76,600	76,500	1,100	1,200
FINANCE	28,100	28,000	28,000	100	100
INSURANCE	22,500	22,400	22,500	100	0
REAL ESTATE	27,100	26,200	26,000	900	1,100
SERVICES	292,600	292,500	283,200	100	9,400
HOTELS & OTHER LODGING PLACES	20,600	19,800	19,700	800	900
PERSONAL SERVICES	10,900	10,700	11,000	200	- 100
BUSINESS SERVICES	48,800	48,600	48,100	200	700
AUTOMOTIVE & MISC. REPAIR SERVICES	15,700	15,500	15,400	200	300
MOTION PICTURES & AMUSEMENTS	14,400	14,400	14,600	0	- 200
HEALTH SERVICES	87,000	86,100	82,200	900	4,800
LEGAL SERVICES	8,900	8,700	8,900	200	0
PRIVATE EDUCATION	12,600	15,000	12,500	- 2,400	100
SOCIAL SERVICES	25,600	26,600	24,500	- 1,000	1,100
ENGINEERING & MANAGEMENT SERVICES	20,000	19,400	19,000	600	1,000
OTHER SERVICES & NEC	28,100	27,700	27,300	400	800
GOVERNMENT	230,800	232,200	223,100	- 1,400	7,700
FEDERAL GOVERNMENT	36,300	36,300	33,200	0	3,100
STATE GOVERNMENT	62,400	61,200	61,700	1,200	700
EDUCATION	26,200	26,000	25,800	200	400
OTHER STATE	36,200	35,200	35,900	1,000	300
LOCAL GOVERNMENT	132,100	134,700	128,200	- 2,600	3,900
EDUCATION	82,700	85,100	79,800	- 2,400	2,900
OTHER LOCAL	49,400	49,600	48,400	- 200	1,000
LABOR-MANAGEMENT DISPUTES 10/	400	500	300	- 100	100

OREGON RESIDENT LABOR FORCE (BY PLACE OF RESIDENCE)

	JUN.1/ 1990	MAY 2/ 1990	JUN. 1989	CHANGE FROM MAY 1990	CHANGE FROM JUN. 1989
CIVILIAN LABOR FORCE 3/	1,510,700	1,484,800	1,504,000	25,900	6,700
UNEMPLOYMENT	78,800	70,800	84,300	8,000	- 5,500
PERCENT OF LABOR FORCE	5.2	4.8	5.6	XXX	XXX
SEASONALLY ADJUSTED PERCENT	5.3	4.8	5.7	XXX	XXX
TOTAL EMPLOYMENT 4/	1,431,900	1,414,000	1,419,700	17,900	12,200

1/ Preliminary
2/ Revised
3/ Includes employed and unemployed individuals 16 years and older, adjusted for multiple job-holding and commuting.
4/ Includes nonagricultural wage and salary, self-employed, unpaid family workers, domestics, farm workers, and labor disputants.
5/ Includes full- and part-time nonfarm wage and salary workers in pay periods including the 12th of the month. Proprietors, self-employed, private household workers and armed forces excluded. Note: These data are estimated in cooperation with the U.S. Bureau of Labor Statistics and the Employment and Training Administration. All data are based on the 1987 Standard Industrial Classification (SIC) codes.
6/ Total nonagricultural wage and salary employment, seasonally adjusted, and indexed to 1977. Data on the earlier index (1972 = 100) can be converted to the 1977 base period by multiplying by a factor of 0.8264, the ratio between 1972's annual average employment (774,300) and that of 1977 (936,900).
7/ Goods producing industries include manufacturing, mining, and construction.
8/ Service producing industries include transportation, communications, and utilities; trade; finance, insurance, and real estate; services; and government.
9/ Series break. Data for 1988 and thereafter are not comparable to those for 1987 and before.
10/ Employees involved in labor disputes are not included in wage and salary employment counts.

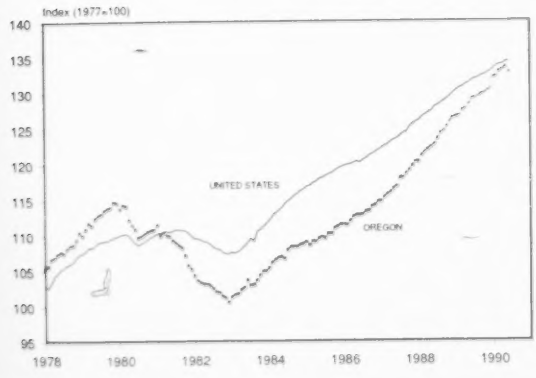
Although the problems facing the state's wood products industry and many timber-dependent communities could eventually tip the state into a recession, especially if the nation's economy weakens further, June's negative indicators are likely to be temporary. They reflect less than expected seasonal expansion in June in nearly every sector of Oregon's economy. The reason for this has more to do with the strength of the economy and mild weather earlier this year than any fundamental weakness in labor demand during June. In other words, many of the workers that would normally have been hired in the summer months were added to payrolls earlier this year.

A case in point is the construction industry which added only 200 workers in June compared with a normal seasonal gain of 1,900. Building activity in Oregon, especially for new single-family homes, has been hot all year. Single-family building permits for the first six months of 1990 were up by 17% over the same period a year ago, while multi-family units were off only slightly from 1989's torrid pace. Construction employment, bolstered in part by continued heavy in-migration to the state, reached 50,300 in June, the highest level since the late 1970s. During the first half of 1990, Oregon's booming construction industry created an average of 300 new jobs each month, after seasonal adjustment. While this is off the 500 a month pace during the first half of 1989, it puts June's small employment gain in better perspective.

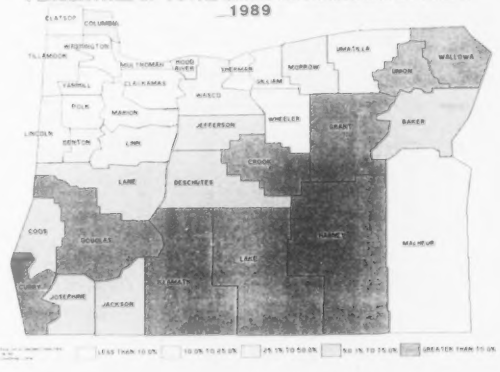
Construction employment . . . reached 50,300 in June, the highest level since the late 1970s.

A similar situation occurred in wholesale and retail trade where new hiring in June fell 1,300 short of seasonal expectations. Most of the 3,300 new jobs came in eating and drinking establishments and food stores as the summer travel/tourism season got underway. As in construction, new job creation during the first half of 1990 was slower than a year ago in both wholesale and retail trade. At the risk of offending the "shop 'til you drop" crowd, one reason for this might be that retail expansion has reached the saturation point in many local areas, at least for now. With the lowest unemployment rates in over 20 years (January through June average was 5.0%) and demographic trends indicating a continued shortage of

NONFARM WAGE & SALARY EMPLOYMENT INDEXES
(SEASONALLY ADJUSTED)



OREGON LUMBER AND WOOD PRODUCTS EMPLOYMENT BY COUNTY
PERCENTAGE OF TOTAL MANUFACTURING EMPLOYMENT
1989



young entry-level workers, it is getting harder to find enough qualified workers at entry-level wages to support further expansion. A partial solution for this dilemma is for current employees to work longer hours, and this appears to have been the case in June. The average work week in retail trade rose to 33.8 hours from 32.8 in May and 33.2 in June 1989.

Another way, of course, to attract more job applicants would be to raise wages and employee benefits but that could be inflationary, if not offset by improved productivity, since labor costs represent about two-thirds of total business costs. A recent Labor Department report indicated that wages, salaries, and other benefits rose 5.2% nationally over the past year despite a weakening economy. Benefit costs alone were up 6.9% led by higher health-care costs. Since employment costs are one of the best indicators of inflationary pressures, this report is not likely to encourage Dr. Greenspan and Company at the Federal Reserve to give the ailing U.S. economy a shot of lower interest rates.

How much longer the current economic expansion will continue depends in large part on improvement in the inflation rate.

Neither is June's inflation report which showed the consumer price index for all urban consumers (U.S. CPI-U) surged by 0.5% in June following increases of only 0.2% in the previous two months. That put the annual inflation rate during the first six months of 1990 at 5.9%, considerably higher than the 4.6% rate during all of 1989. Consumer inflation in the Portland metro area over the first half of 1990 will not be available from the Bureau of Labor Statistics until August 16.

How much longer the current economic expansion will continue depends in large part on improvement in the inflation rate. If it stays in the 5% to 6% range, consumer spending will suffer and the Federal Reserve will be unwilling to stimulate the economy with lower interest rates. Many economists are basing their "no recession" forecasts, however, on lower inflation and Fed easing in the second half of this year to offset weak domestic demand and some combination of federal spending cuts and higher taxes to reduce the budget deficit.

Oregon, and the Pacific Northwest region, continue to be one of the healthiest economic areas in the nation despite June's less than expected hiring trend in most industries. With population growing at nearly twice the national rate this year, many Oregon industries including construction, real estate, services, and trade have continued to prosper although job gains have not been as strong as in the last year or two.

Even in the key manufacturing sector, Oregon's performance has been much better than the nation's. After seasonal adjustment, about 100 new factory jobs were created each month during the first half of 1990. And if we exclude the lumber and wood products industry, about 500 new jobs were added each month mostly in the other durable goods and food products sectors.

Clearly, the biggest area of concern and uncertainty in Oregon's economic picture is lumber and wood products. In June, this industry added 1,000 workers but a typical increase would have been more than twice as large. Several mills had temporary or permanent layoffs in June and a continuation of this pattern is expected in the months ahead. While current and projected timber supply restrictions linked to the northern spotted owl, which was declared a "threatened species" effective July 23, get most of the attention there are other problems of immediate concern. These include the high cost of logs, slumping demand and prices for finished wood products due to the national recession in the home building and real estate industries, and excess inventories of lumber and plywood in the distribution system.

. . .U.S. housing starts fell for the fifth straight month in June to an annual rate of 1.18 million units, the lowest level since October 1982.

Although the pace of mill closures has picked up during the first half of 1990 (10 plywood/veneer plants and 7 sawmills closed permanently in Oregon according to the July 13 issue of *Random Lengths*), lumber production in the Coast Region (i.e., western Washington and western Oregon) was 3.5% higher in the first half of 1990 than in the same period a year ago. The supply/demand imbalance will not be helped by the Commerce Department's recent report that U.S. housing starts fell for the fifth straight month in June to an annual rate of 1.18 million units, the lowest level since October 1982. In addition, housing starts also took a dive (-10%) in the western states where two-thirds of Oregon's lumber products are used.

Despite these problems in the timber industry, the services industry category created more new jobs (1,400 a month, after seasonal adjustment) during the first half of 1990 than it did in the same period last year (1,200 a month). And even though June hiring was below seasonal expectations, employment in the services category was 9,400, or 3.3% above June 1989. More than half of these new jobs came in health services which has grown by nearly 6% in the past year. Employment growth has also been fairly strong in hotels and other lodging places, social services, and engineering and management services. Growth in business services has slowed to only 1.5% above last June.

One of the strongest employment sectors during the first half of 1990 was government as the U.S. Census Bureau hired several thousand temporary workers. Census employment in Oregon peaked at well over 4,000 in May, then began to wind down accounting for virtually all of the 1,400 net decline in government jobs in June. Elsewhere in government, the U.S. Forest Service hired many seasonal workers while local school districts and community colleges laid off over 2,000 staff as summer vacations began.

One sector of Oregon's economy that had a banner month in June was agriculture. Farm employment soared to over 60,000 in mid-June which was 8,000 above the average level for the last five years. Strawberry and cherry harvesting were in full swing and the number of migrant workers picking the crops was much higher than a year ago. But these jobs, and the workers who hold them, are the most transitory of all. If Oregon's record economic expansion is to continue into 1991 and beyond, we will need not only lower inflation and interest rates, but also a healthy national economy, strong exports, and a reasonable, non-precipitous solution to the timber supply/environmental protection dilemma. And even if Oregon's economy continues to grow as is expected, the more diversified urban areas and tourism/retiree-dependent rural communities will benefit the most. □

TIMBER FAMINE IN THE NATION'S WOOD BASKET?

Gary Lettman and Brian Greber

(Editor's note: Gary Lettman is the Principal Forest Economist with the Oregon Department of Forestry. Brian Greber is an Assistant Professor in the College of Forestry at Oregon State University. Both were key researcher/authors for the recent OSU study entitled "Timber For Oregon's Tomorrow - The 1989 Update" and a soon to be published in-depth economic analysis of the proposed northern spotted owl conservation strategy for the state of Oregon.)

"The waste of valuable timber in the United States will hardly begin to be appreciated until our population reaches 50,000,000. Then the folly and shortsightedness of this age will meet with a degree of censure and reproach not pleasant to contemplate."

Commissioner of Patents, 1849

Threats of timber famine have long been circulated in the lore of American forestry. However, as timber supplies dwindled in one part of the nation, other states and imports filled the nation's needs for wood and paper products. Plastic and other materials replaced wood where economical. And the American forest industry proved remarkably adaptable to continuing changes in timber availability and product demand. Oregon's forest industry quickly adapted to new economic environments too, but now faces unexpected changes. Besides expected reductions in harvest from forest industry lands as they complete the transition from old-growth to second-growth harvests, allocation of public forest land to uses other than timber management has accelerated. The potential establishment of habitat conservation areas for the northern spotted owl continues this trend.

HISTORIC PERSPECTIVE

In 1976, in response to a request from the Oregon State Board of Forestry, Oregon State University prepared a report analyzing timber availability in Oregon: *Timber for Oregon's Tomorrow* by John H. Beuter, K. Norman Johnson, and H. Lynn Scheurman. Best known as the "Beuter Report," the analysis forecasted timber availability problems in western Oregon under then current timber management practices and policies.

By the early 1980s, however, timber availability was the least of Oregon's forest industry's problems. From the booming markets of the late 1970s, demand for forest products fell precipitously. Different from the usual boom and bust cycles, demand remained low and the industry entered a severe depression. Increased interest rates stemming from the Federal Reserve's battle to fight inflation and other fundamental changes in the structure of the nation's monetary policies, such as deregulating the banking industry, kept demand for wood products low for several years. Oregon's timber harvest fell from 8 billion board feet in 1978 to 5.7 billion board feet in 1981.

By 1985, Oregon's timber harvest climbed back to historic levels--above 8 billion board feet--bringing renewed concerns about timber supply. In 1986, Oregon State University again began to evaluate timber availability in Oregon. The final report, published in May 1990, *Timber for Oregon's Tomorrow: The 1989 Update* assessed the likely timber harvest compared with a 1983-1987 reference period, cumulative economic impacts over the next decade, and potential changes from the baseline projections.

Overall, more timber harvest is lost in future decades by harvesting fast-growing younger trees now than is gained by a temporary increase in harvest over the next decade.

In response to concerns over the viability of the northern spotted owl, an interagency scientific committee released its findings in what has been popularly called "the Jack Ward Thomas Report" in April of 1990. At Governor Neil Goldschmidt's request, researchers with the College of Forestry at Oregon State University and the Oregon Department of Forestry updated the data bases used for *The 1989 Update* and conducted an in-depth analysis of the proposed northern spotted owl conservation strategy to determine what the implications were for the state of Oregon. This report, *Conservation Plans for the Northern Spotted Owl: The Economic Implications of Changing Timber Availability*, will be published in August of 1990 and is the basis for this article.

TIMBER FAMINE OR NOT?

Yes, No, and Perhaps. If famine means a great shortage of old-growth, the answer is yes. If famine means a great shortage of wood fiber potentially usable by Oregon's mills, the answer is no. If famine means a scarcity of timber available at prices that would sustain the industry, including log exports, at current output levels, the answer is perhaps.

We considered three scenarios that define the range of potential outcomes from the conservation strategy. First is the "No Private Response" scenario where we assume that management plans for private lands in the habitat conservation areas proposed in the "Thomas Report" are not altered and that both industrial and nonindustrial private owners harvest at their sustainable levels.

The second scenario for assessing the conservation strategy is the "Private Response" scenario provided in an interagency (U.S. Forest Service and Bureau of Land Management) assessment of the economic effects of the conservation strategy. The interagency economic assessment assumed that private land in the habitat conservation areas proposed would remain in the timber base and estimated that the private harvest would increase because of price increases brought about by changing forest plans and the conservation strategy.

The third scenario is the "Private Conservation" scenario where it is assumed that all private acres within the habitat conservation areas are withdrawn from the timber base and that additional harvesting restrictions would occur on private lands outside the conservation areas. This scenario was not specifically recommended in the "Thomas Report."

An accompanying graph portrays historical Oregon timber harvests, the baseline projection for 1991-2000 timber harvests, and the three alternative conservation scenarios.

PUBLIC LANDS

The 1989 Update and *The Economic Implications* reports, unlike the 1976 study, project the greatest timber availability reductions on Oregon's national forests. Old-growth forest stands are the key to timber availability changes on the national forests. The wood in these older stands had been counted on for harvest until intensively managed planted stands mature.

Ecological concerns and increasing demands on the forests for non-timber uses have reduced lands available for commercial timber management on the national forests. The net reduction of forest land available for regulated timber harvests on all Oregon national for-

ests between 1975 and that proposed in the new plans is greater than 30 percent. The recently proposed plan for the protection of northern spotted owls or plans to protect other potentially threatened or endangered species could reduce the land base available for timber management further. Many of the acres withdrawn from the timber base contain older stands of timber. Much of the potential reduction in timber sales volume has occurred because of the withdrawal from the timber base of these stands containing large volumes of mature timber.

Public harvests could decline 1.8 billion board feet (38.9%) from the mid-1980s level as a result of proposed forest plans coupled with the owl conservation strategy. The proposed public plans themselves account for a 0.7 billion board foot decline (14%) from the public harvest level of the mid-1980s.

The bottom line: the potential harvest from public lands is falling. By law, federal forests must not cut more than is sustainable. When timber lands are removed from the harvest base, the amount of timber cut must fall until a sustainable level is reached. On lands with a "deficit" of mature timber--which is the case in most of Oregon's forests--as young and highly managed stands mature, the cut can rise again, albeit not to previous levels.

PRIVATE LANDS

Average annual private harvests are projected to range from a low of 1.7 billion board feet, assuming adoption of the conservation strategy, to a high of 4 billion board feet based on a price response to timber scarcity. Adoption of the conservation strategy represents roughly a 50 percent decrease from historic and projected levels. The price response scenario represents an average harvest 20% higher than the 1983-1987 levels.

The offset from the Private Response scenario must be viewed as temporary. This increased harvest from the private lands can only be brought about through liquidating most of the private inventory of older trees. The cost would be significant going into the 21st century, as both sustainable industry and nonindustrial harvests entering the century drop significantly. Overall, more timber harvest is lost in future decades by harvesting fast-growing younger trees now than is gained by a temporary increase in harvest over the next decade.

ALL LANDS

Implementation of the conservation strategy along with proposed public plans will have significant impacts on Oregon's timber harvest level in the 1990s. Considering both the owl conservation strategy and the proposed forest plans, annual average harvest levels are projected to fall 1.2 billion (14.4%) to 3.5 billion (43.5%) board feet from 1983-1987 levels depending on the private scenario.

ECONOMIC IMPLICATIONS

The changing timber availability associated with the Interagency Scientific Committee conservation strategy may be termed an economic crisis for many people, households, businesses, and communities throughout western Oregon. Growth in the state's metropolitan areas will diminish the economic impact for Oregon as a whole. While the implications for the state in total may not be alarming, a bleak future faces many rural communities and the social implications may have statewide ramifications.

Throughout western Oregon, all communities outside of the U.S. Interstate 5 corridor and non-coastal communities must be considered at risk when the conservation strategy is coupled with the proposed public plans. The disruptions within these communities stem beyond jobs and income. Despite anticipated growth in the statewide economy, re-employment opportunities in the western rural communities are likely to be scarce in the foreseeable future.

Timber industry employment will fall in all western Oregon timbersheds outside of the North Coast. The Willamette, Eugene, Roseburg, Medford, and South Coast timbersheds could see timber industry employment declines of over 15 percent even if private harvests increase in response to price increases, and this could extend to as high as 35 percent if private lands are affected by the strategy.

As the timber industry and its employees buy less of Oregon's goods and services, the impact ripples through the Oregon economy. More than one other job will be displaced along with each timber job. Economic projections based on mid-1980s harvest levels call for economy-wide job displacement associated with the proposed plans and the spotted owl conservation strategy ranging from 12 to 50 thousand jobs in the mid-1990s (depending upon the outcome on private lands). Income associated with this employment would range from 470 million to 2 billion dollars per year. This includes both the direct and indirect income effects throughout the state's economy.

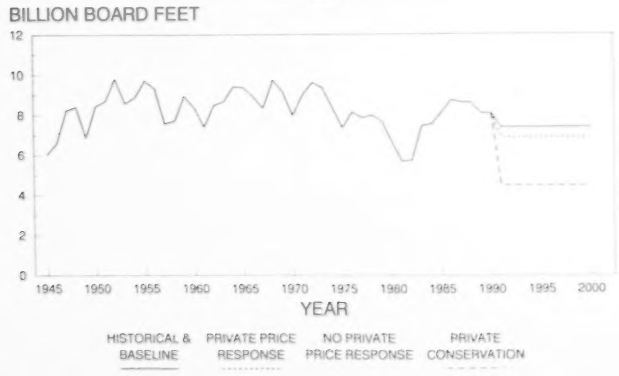
CAN OWNERS PRODUCE MORE TIMBER THAN PROJECTED?

Yes, but the short-term wood will not come from traditional sources and may not be suitable for traditional forest products. In the long run, the potential to grow more wood through combining intensive management and genetics appears unlimited.

Nonindustrial private owners have increased their harvest every year since reaching a low of 180 million board feet harvested in 1981. Preliminary data point to a harvest of over 700 million board feet in 1989. If these owners were to improve tree stocking in underproductive stands, adopt moderate increases in management intensity, and harvest closer to their potential and if uses could be found for now underutilized tree species, this ownership could sustainably harvest well over 800 million board feet per year.

ACTUAL & PROJECTED TIMBER HARVESTS IN OREGON

1945-2000



Much of the tree volume that is not used in western Oregon consists of hardwood species. Although there are almost six billion board feet of hardwood growing stock in western Oregon, hardwoods comprise only about two percent of the state's timber harvest (180 million board feet, roughly). There appears to be potential to increase utilization of this resource, but much of it is in sensitive streamside areas and it is not known how much of this is economically and environmentally feasible to harvest.

Genetic improvement opportunities exist to improve the long-range outlook, but must be tempered because every tree that will be harvested over the next several decades is already in the ground, except for potential high-yield hardwood plantations. However, by coupling improved seed and other genetic tools with appropriate silvicultural techniques such as adequate site preparation, vegetation control, fertilization and thinning, it may be possible to shorten timber rotations and bring future harvests nearer to the present. However, increases in timber growth will still not be available for harvest until well into the 21st century. Although gains from genetic improvement will not be fully verifiable until planting stock matures, tests suggest that 10 to 20 percent gains are feasible for first generation improved growing stock.

Even with likely downward adjustment in timber harvest levels, Oregon's wood products industry will be a major player in the state's economy for decades to come.

CONCLUSIONS

Although the owl officially goes on the list of threatened species July 23, it is unclear what conservation strategy will be used on both public and private lands. It is also unclear whether other species using Oregon's forests will soon fall under the protection of the Endangered Species Act of 1973. It is apparent, however, that the combination of newly proposed national forest plans and any conservation strategy for the northern spotted owl will lead to substantial changes in timber availability in the state.

Timber famines have been projected for decades while the solutions have been seen as far in the future. The following was published in the annual report of the Commissioner of Agriculture for 1865:

"It is feared it will be long, perhaps a full century, before the results at which

AVERAGE HOURS AND EARNINGS OF OREGON INDUSTRIAL PRODUCTION WORKERS[1]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	May[2] 1990	Apr.[3] 1990	May 1989	May[2] 1990	Apr.[3] 1990	May 1989	May[2] 1990	Apr.[3] 1990	May 1989
TOTAL MANUFACTURING[4]	$442.18	$445.11	$427.00	39.8	40.1	39.5	$11.11	$11.10	$10.81
Durable Goods	447.12	456.85	432.23	40.1	40.9	39.8	11.15	11.17	10.86
Lumber & Wood Products	448.54	453.58	434.91	40.3	40.9	39.9	11.13	11.09	10.90
Logging & Sawmills	474.42	479.52	470.83	39.8	40.5	39.8	11.92	11.84	11.83
Veneer & Plywood	440.64	457.29	422.42	40.5	41.8	40.5	10.88	10.94	10.43
Millwork & Structural	398.77	394.25	357.98	41.8	41.5	39.6	9.54	9.50	9.04
Mobile Homes	352.68	354.72	334.53	37.4	37.3	37.8	9.43	9.51	8.85
Other Wood Products	442.95	447.28	424.35	40.9	41.3	41.0	10.83	10.83	10.35
Furniture & Fixtures	393.58	355.34	356.28	38.7	34.6	38.6	10.17	10.27	9.23
Primary Metals	506.74	514.49	502.57	40.8	40.8	41.5	12.42	12.61	12.11
Fabricated Metals	410.65	410.94	399.35	39.6	39.4	39.5	10.37	10.43	10.11
Machinery (Ex Electrical)	446.02	446.42	454.62	40.4	40.4	40.7	11.04	11.05	11.17
Nondurable Goods	424.93	410.51	408.96	38.7	37.8	38.4	10.98	10.86	10.65
Food & Kindred Products	350.62	338.56	338.72	37.3	35.6	37.1	9.40	9.51	9.13
Canning & Preserving	304.61	278.39	281.24	36.7	33.5	35.6	8.30	8.31	7.90
Other Food Products	413.71	419.33	414.18	38.2	38.4	39.0	10.83	10.92	10.62
Textile Mill Products	264.18	257.40	250.98	37.0	36.0	36.8	7.14	7.15	6.82
Apparel	269.81	275.10	253.24	38.6	39.3	38.9	6.99	7.00	6.51
Paper & Allied Products	638.11	633.22	655.32	40.8	40.8	43.0	15.64	15.52	15.24
Printing & Publishing	471.39	446.08	416.30	38.2	37.9	36.2	12.34	11.77	11.50
Construction[4]	573.38	590.93	565.06	37.5	38.1	38.0	15.29	15.51	14.87
Communications & Utilities[5]	563.86	573.12	561.70	40.8	41.5	41.7	13.82	13.81	13.47
Trade[5]	320.51	336.06	311.10	34.5	35.6	34.3	9.29	9.44	9.07
Wholesale Trade	426.72	447.82	412.52	38.1	39.7	37.4	11.20	11.28	11.03
Retail Trade	268.14	278.39	258.98	32.7	33.5	32.7	8.20	8.31	7.92
Banking & Insurance[5]	355.88	373.65	338.37	36.5	38.6	36.7	9.75	9.68	9.22
State & Local Government	400.99	401.64	380.01						

[1]*Figures are average gross hours and earnings of full and part-time worked or paid for, including overtime and shift premium pay. Prepared in cooperation with the U.S. Department of Labor. All data are based on the 1972 Standard Industrial Classification (SIC) codes.*
[2]*Preliminary*
[3]*Revised*
[4]*Data for production workers only and exclude administrative, supervisory (above working foremen), technical, sales and office personnel.*
[5]*Data for nonsupervisory employees only, excluding proprietors and executive personnel. Data for retail trade excludes eating and drinking places.*

we ought to aim as a nation will be realized by our whole country, to wit, that we should raise an adequate supply of wood and timber for all our wants. The evils which are anticipated will probably increase upon us for thirty years to come, with ten-fold the rapidity with which restoring or ameliorating measures shall be adopted."

Even with likely downward adjustment in timber harvest levels, Oregon's wood products industry will be a major player in the state's economy for decades to come. Is it possible for Oregon to look for immediate relief to timber availability problems? In the past, the market system solved short-term problems of scarcity by increasing prices of commodities in short supply, by forcing buyers to alternative sources (including imports), and by encouraging substitution of alternative products as their production became economically feasible. This came at considerable human cost.

Short-term solutions that lessen the immediate human cost also will come with a price tag, whether for increased research into opportunities for adding more value to wood products shipped out of Oregon, or for retraining displaced workers, or for maintaining today's cut at the expense of even greater shortfalls in the future.

It is clear that the immediate prosperity of both the wood products industry and Oregonians dependent upon it will not be based on cheap raw materials. Instead, the hope for this industry lies with the ingenuity and wisdom of its workers, owners, and state and national policymakers in making wise investments in the future. □

STATE OF OREGON UNEMPLOYMENT RATES BY AREA

June 1990

	Civilian Labor Force	Total Employment	Unemployment	Rate[1]
State of Oregon	1,510,700	1,431,900	78,800	5.2
Eugene MSA[2]	150,600	142,200	8,400	5.6
Medford MSA[3]	72,050	67,210	4,840	6.7
Portland PMSA[4]	686,400	657,700	28,700	4.2
Salem MSA[5]	144,600	137,200	7,400	5.1
Baker	7,080	6,540	540	7.6
Benton	38,310	36,740	1,570	4.1
Clatsop	18,980	18,040	940	5.0
Columbia	19,450	18,240	1,210	6.2
Coos	27,550	25,390	2,160	7.8
Crook	7,270	6,810	460	6.3
Curry	10,050	9,650	400	4.0
Deschutes	41,780	39,610	2,170	5.2
Douglas	46,830	43,740	3,090	6.6
Gilliam	1,040	1,010	30	2.9
Grant	4,440	4,150	290	6.5
Harney	4,390	4,090	300	6.8
Hood River	9,680	8,670	1,010	10.4
Jefferson	7,640	7,180	460	6.0
Josephine	27,610	25,680	1,930	7.0
Klamath	25,710	23,530	2,180	8.5
Lake	4,150	3,800	350	8.4
Lincoln	20,330	19,280	1,050	5.2
Linn	43,650	40,190	3,460	7.9
Malheur	14,160	13,590	570	4.0
Morrow	4,020	3,720	300	7.5
Sherman	810	770	40	4.9
Tillamook	9,330	8,890	440	4.7
Umatilla	30,950	28,210	2,740	8.9
Union	11,560	10,830	730	6.3
Wallowa	3,980	3,720	260	6.5
Wasco	15,640	14,930	710	4.5
Wheeler	590	560	30	5.1

[1]*Not Seasonally Adjusted*
[2]*Lane County*
[3]*Jackson County*
[4]*Clackamas, Multnomah, Washington, Yamhill counties*
[5]*Marion and Polk counties*

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